



HF 2347 – Gun Safe Purchase Tax Credit (LSB5980HV)
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Fiscal Note Version – New

Description

House File 2347 creates a new income tax credit for the purchase of a qualified gun safe. The credit is equal to 50.0% of the purchase price, not to exceed \$1,000.

A qualified gun safe is a safe specifically manufactured to store guns and made of steel or a material of equal or greater strength. The safe must have been purchased new from a retailer or from a firearm dealer registered with the federal government.

The new credit is not refundable but any unused credit may be carried forward for up to five additional tax years. The credit is first available beginning tax year 2016 for purchases made on or after the effective date of the bill.

Assumptions

Based on an analysis of Iowa gun ownership, gun permits, households with unsecured guns, and retail gun safe prices, the Department of Revenue estimates that for sales made in calendar year 2016:

- 5,644 gun safe purchases will be made by Iowans.
- The average retail purchase price will be \$1,189.

The Department of Revenue estimates that the redemption pattern for this nonrefundable tax credit will be similar to the pattern of the Endow Iowa Tax Credit and the School Tuition Organization Tax Credit:

- Year 1 = 60.37% of the tax credit earned.
- Year 2 = 22.86%.
- Year 3 = 4.11%.
- Never redeemed = 12.66%.

Although retroactive to include the 2016 tax year, the bill is effective for purchases made on or after the effective date of the bill. For this estimate the effective date is assumed to be April 1, 2016, and purchases are assumed to be evenly spread across a calendar year.

For growth in future years, the Legislative Services Agency (LSA) assumes that gun safe growth will equal the average growth in the Iowa population as projected by Regional Economic Models, Inc. (REMI) for years 2015 through 2020. That assumed growth rate is 0.727%. The average price of a safe is assumed to increase 2.527% each year.

As a nonrefundable individual income tax credit, the new credit will decrease the amount raised by the local option income surtax for schools. The decrease is projected to equal 3.15% of the decrease in State General Fund income tax revenue.

Fiscal Impact

The proposed income tax credit for the purchase of a qualified gun safe is projected to reduce State General Fund and local option surtax revenue. For fiscal years beyond FY 2021, the estimated impact grows by a combination of inflation and population growth (projected to be approximately 3.25% per year).

Estimated Fiscal Impact of Gun Safe Tax Credit

	Decrease in Net General Fund Revenue	Decrease in Local Option Income Surtax
FY 2017	\$ 1,520,000	\$ 48,000
FY 2018	2,670,000	84,000
FY 2019	3,060,000	96,000
FY 2020	3,190,000	101,000
FY 2021	3,300,000	104,000

The Department of Revenue indicates that as a new credit, there will be staff time and development costs that will total \$10,000 to \$15,000.

Sources

Iowa Department of Revenue
Regional Economic Models, Inc. (Iowa population increase projection)
Moody's Economy.com (consumer price increase projection)
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the LSA upon request.
